

Fiscal Note

Fiscal Services Division



HF 80 – School Supplemental State Aid FY2016 (LSB1547HV.2)

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Fiscal Note Version – As amended and passed by the House

Description

House File 80 requires a 1.25% State percent of growth rate to be applied to each of the regular school aid State cost per pupil amounts for FY 2016.

House File 80 as amended by the House provides additional property tax relief based on the per pupil increase that results from the establishment of the State percent of growth in FY 2016 and beyond. The Bill requires the additional levy portion of the FY 2016 State cost per pupil amount to be frozen at \$750 per pupil, regardless of the per pupil increase for FY 2016. Without enactment of this provision, the increase in the FY 2016 State cost per pupil due to the State percent of growth will include a per pupil property tax increase equivalent to 1/8th (12.5%) of the total per pupil increase.

Background

The school aid formula provides funding through a mix of State aid and property tax to school districts and Area Education Agencies (AEAs). In general, funding is generated on a per pupil basis with the per pupil amounts providing an overall budget limitation. There are five FY 2016 State cost per pupil funding levels that will be increased by a 1.25% State percent of growth for FY 2016. The following table provides the supplemental State aid amounts (also referred to as per pupil growth amounts) and State cost per pupil amounts for FY 2016 based on a 1.25% growth rate. The supplemental State aid amounts will be applied to all corresponding district and AEA cost per pupil amounts.

Regular School Aid Per Pupil Components	FY 2015 State Cost Per Pupil Amount	FY 2016 State Percent of Growth	Supplemental State Aid	FY 2016 State Cost Per Pupil
Regular Program	\$ 6,366.00	1.25%	\$ 80.00	\$ 6,446.00
Special Education Program	6,366.00	1.25%	80.00	6,446.00
AEA Special Education Support	279.53	1.25%	3.49	283.02
AEA Media Services	52.11	1.25%	0.65	52.76
AEA Educational Services	57.51	1.25%	0.72	58.23

In addition to the State percent of growth and supplemental State aid for FY 2016, enrollments, weightings, and taxable valuations within each school district have an impact on the amount of total school aid funding, including the amount of State aid and local property tax required to generate the total funding amount.

Property Tax Replacement Payment Provision

Enactment of [HF 215](#) (2013 Education Reform Act) included the creation of the property tax replacement payment (PTRP) provision to replace local property tax amounts with State aid. The provision froze the additional levy portion of the State cost per pupil in FY 2014 and FY 2015 at \$750. Based on the State percent of growth enacted for those fiscal years (2.0% in FY 2014 and 4.0% in FY 2015), this provision resulted in per pupil property tax relief of \$15 per pupil in FY 2014 and another \$31 per pupil in FY 2015. This provision also required these per pupil property tax relief provisions for FY 2014 and FY 2015 to carry forward in future fiscal years, resulting in per pupil property tax relief totaling \$46 per pupil beginning in FY 2015. Enactment of [HF 80](#) will maintain a freeze of the additional levy portion of the State cost per pupil at \$750 in FY 2016 and beyond. The per pupil property tax relief amount will be based on the State percent of growth enacted for FY 2016 and future fiscal years. The following table provides detail regarding the State cost per pupil funding levels as provided by a 1.25% growth rate for FY 2016 in [HF 80](#) (School Supplemental State Aid FY 2016) and a 2.45% growth rate for FY 2017 in [HF 82](#) (School Supplemental State Aid FY 2017).

FY 2016 and FY 2017 State Cost Per Pupil Amounts Based on HF 80 and HF 82			
	FY 2015	FY 2016 1.25%	FY 2017 2.45%
State Cost Per Pupil (SCPP):	\$ 6,366	\$ 6,446	\$ 6,604
87.5% Foundation Level (FL):	5,570	5,640	5,779
Previous Enacted PTRP Amount:	46	46	46
Additional Levy Portion:	750	760	779
Additional Per Pupil Property Tax with HF 80:	\$	10	\$ 19
Total Per Pupil Property Tax Relief:	\$	56	\$ 75

Enactment of [HF 80](#) will provide additional property tax relief of \$10 per pupil for FY 2016 at the 1.25% State percent of growth provided in [HF 80](#) and an additional \$19 per pupil in FY 2017 at the 2.45% State percent of growth provided in [HF 82](#).

Assumptions

Assumptions include:

- Estimates are based on October 2014 certified enrollments and supplementary weightings for FY 2016 approved by the School Budget Review Committee (SBRC) on January 21, 2015.
- Statewide taxable valuation growth of 2.6% for FY 2016. Based on these assumptions, the statewide total for the uniform levy is estimated to account for \$30.4 million of the school foundation property tax change in FY 2016 (including the uniform levy portion of the commercial/industrial rollback replacement payment). The estimated increase in the uniform levy amount is not impacted by the establishment of State percent of growth rate.
- Property tax adjustment aid amounts are based on the statewide taxable valuation growth factor applied to each school district's FY 2016 taxable valuation amount.

- Other legislation may have an impact on the amount of State aid and property tax generated through the school aid formula. The fiscal impact in the table below includes the provisions in [HF 81](#) (State Categorical Supplemental State Aid FY 2016). These provisions are included in the State General Fund appropriation for school aid.
- State aid includes funding from the State General Fund and other funds appropriated or deposited in the Property Tax Equity and Relief (PTER) Fund that is used to provide additional property tax relief through the school aid formula.
- Establishing an FY 2016 State percent of growth will also impact the amount of funding generated for the Statewide Voluntary Preschool Program. Funding for the Program is provided with State General Fund dollars and is included in the overall State aid total.
- Districts eligible for the 101.0% budget adjustment will approve use of that provision. The Legislative Services Agency (LSA) estimate includes a total budget adjustment of \$16.5 million, based on the FY 2016 State percent of growth and budget enrollments.
- Beginning in FY 2016, the additional \$15.0 million State aid reduction to AEAs implemented in FY 2015 will be restored.

Fiscal Impact

The following table provides the estimated fiscal impact of [HF 80](#), and includes the provisions in [HF 81](#). The combined impact of HF 80 and HF 81 will result in a total General Fund expenditure for State school aid in FY 2016 of \$2,965.3 million, an increase of \$99.8 million (3.5%) compared to FY 2015. This includes:

- Restoration of the \$15.0 million reduction in State aid to the AEAs. Under current law, the reduction will total \$7.5 million (a statutory reduction implemented annually).
- \$31.1 million in property tax replacement payment (PTRP) funding; an increase of \$5.6 million compared to current law.
- Based on [HF 81](#), \$398.2 million for the State categorical supplements, an increase of \$56.4 million (16.5%) compared to FY 2015. This includes \$282.9 million for the teacher salary supplement, \$32.1 million for the professional development supplement, \$33.0 million for the early intervention supplement, and \$50.2 million for the teacher leadership supplement (new school aid funding provision in FY 2016).
- \$73.1 million for preschool formula funding, an increase of \$3.2 million compared to FY 2015. The preschool formula funding is included in the State aid amount, but is not included in the combined district cost total.
- The combined district cost (reflecting the total school aid funding level for school districts and AEAs generated through the school aid formula), is estimated to increase \$145.6 million (3.5%) compared to estimated FY 2015.

Any legislative action impacting school aid provisions will have an impact on FY 2016 school aid amounts. Additionally, any variations in the assumptions noted may result in significant changes in the FY 2016 estimates provided in the following table.

**Legislative Services Agency: Estimated FY 2016 School Aid Estimates
Statewide Totals (Dollars in Millions) - Based on HF 80 and HF 81**

FY 2016 Estimates Assumes 1.25% State Percent of Growth					
Program Funding:	FY 2014	FY 2015	Totals	Est. Change	% Change
Regular Program District Cost	\$ 2,926.1	\$ 3,059.8	\$ 3,110.0	\$ 50.2	1.6%
Regular Program Budget Guarantee	11.2	3.2	16.5	13.3	420.4%
Total Supplemental Weighting	66.8	75.6	81.3	5.7	7.5%
District Special Education	389.3	398.9	398.7	-0.1	0.0%
Dropout and Dropout Prevention	97.2	103.5	105.1	1.6	1.6%
Teacher Salary Supplement (District)	252.1	263.0	267.8	4.8	1.8%
Professional Development Supplement (District)	28.6	29.8	30.4	0.5	1.8%
Early Intervention Supplement (District)	31.1	32.4	33.0	0.6	1.8%
Teacher Leadership Supplement (District)	N.A.		50.2	50.2	
AEA Special Education (with adjustment)	147.5	153.1	155.4	2.4	1.6%
AEA Media Services	25.5	26.7	27.2	0.5	1.8%
AEA Education Services	28.2	29.5	30.0	0.5	1.8%
AEA Sharing	0.2	0.1	0.1	0.0	1.2%
Total AEA Reduction	-22.5	-22.5	-7.5	15.0	-66.7%
Teacher Salary Supplement (AEA)	14.2	14.8	15.0	0.3	1.7%
Professional Development Supplement (AEA)	1.7	1.7	1.8	0.0	1.7%
Combined District Cost	\$ 3,997.2	\$ 4,169.4	\$ 4,315.0	\$ 145.6	3.5%
Statewide Voluntary Preschool Program	\$ 66.1	\$ 70.0	\$ 73.1	\$ 3.2	4.5%
Funding Sources:					
State Aid from General Fund	\$ 2,716.9	\$ 2,865.5	\$ 2,965.3	\$ 99.8	3.5%
Excess from SAVE Fund	8.7	8.2	6.3	-2.0	-23.8%
Total State Aid	\$ 2,725.6	\$ 2,873.8	\$ 2,971.6	\$ 97.9	3.4%
Uniform Levy Amount	\$ 759.4	\$ 783.7	\$ 814.1	\$ 30.4	3.9%
Additional Levy Total	578.6	582.5	602.5	19.9	3.4%
Comm/Ind - Uniform Levy Portion		-9.3	-19.1	-9.8	105.8%
Comm/Ind. Additional Levy Portion		-7.3	-15.0	-7.7	105.6%
Total Levy to Fund Combined District Cost	\$ 1,338.0	\$ 1,349.7	\$ 1,382.4	\$ 32.7	2.4%
Misc. Information:					
State Categorical Total (in Millions)	\$ 327.5	\$ 341.8	\$ 398.2	\$ 56.4	16.5%
AEA Funding (In Millions)	\$ 194.8	\$ 203.3	\$ 222.0	\$ 18.7	9.2%
Property Tax Relief Payment (PTRP)	\$ 8.3	\$ 25.4	\$ 31.1	\$ 5.6	22.1%

Notes:

Contact the LSA for more information

Sources

Iowa Department of Education, Certified Enrollment
Iowa Department of Management, School Aid file
Iowa Department of Revenue
LSA analysis and calculations

/s/ Holly M. Lyons

February 9, 2015

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.